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NATIONAL INTELLIGENCE AUTHORITY

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WASHINGTON, D. C.

OFFICE OF THE DIRECTOR
CENTRAL INTELLIGENCE

INT 812/1

JUL 30 1947

JUL 31 1947

256

MEMORANDUM FOR MR. EDDY ✓
GENERAL CHAMBERLIN
GENERAL McDONALD
ADMIRAL INGLIS

Subject: Atomic Energy Intelligence

1. There is enclosed herewith for your files a complete copy of all correspondence between the Director of Central Intelligence, the National Intelligence Authority, and the Atomic Energy Commission relative to the establishment of an intelligence organization within the Atomic Energy Commission.
2. It will be noted that the report of Admiral Souers to the Atomic Energy Commission has been revised along the lines recommended by the Director of Central Intelligence and the Intelligence Advisory Board at its last meeting (pages 9 and 9a).

J. S. Earmen
J. S. EARMAN
Secretary, N.I.A.

Encl:
Cy of memo of 25 Jul 47
from NIA to Chrmn, AEC
Cy of memo of 25 Jul 47
from Dir of CIG to NIA
with enclosures (Tabs a & b)

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INT 812/2

25 July 1947

MEMORANDUM FOR THE CHAIRMAN OF THE UNITED STATES
ATOMIC ENERGY COMMISSION

Subject: Atomic Energy Intelligence

Reference: Memorandum for the National Intelligence Authority,
subject as above, dated 7 July 1947.

1. The National Intelligence Authority concurs in the proposed intelligence organization within the Atomic Energy Commission as outlined in the enclosure to the reference memorandum, and to the suggestion that the Director of that organization become a permanent member of the Intelligence Advisory Board.

2. It is noted that the Director of the proposed intelligence organization within the Atomic Energy Commission, in becoming a permanent member of the Intelligence Advisory Board, is thereby subject to the overall policies and objectives announced by the National Intelligence Authority and/or its successor.

(signed) G. A. Marshall
Secretary of State

(signed) Kenneth C. Royall
Secretary of War

(signed) Forrestal
Secretary of the Navy

(signed) William D. Leahy
Personal Representative of the
President

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CENTRAL INTELLIGENCE GROUP
2430 E Street NW.
Washington 25, D. C.

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25 July 1947

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF WAR
THE SECRETARY OF THE NAVY
THE PERSONAL REPRESENTATIVE OF THE PRESIDENT

Subject: Atomic Energy Intelligence

1. The United States Atomic Energy Commission has requested, by memorandum, National Intelligence Authority comments on:

a. The overall intelligence organization within the United States Atomic Energy Commission contemplated in Tab b, and

b. The Director of the contemplated intelligence organization becoming a permanent member of the Intelligence Advisory Board (Tab a).

2. Copies of Tabs a and b were circulated to the individual members of the Intelligence Advisory Board, and were fully discussed at that Board's meeting on 17 July 1947.

3. The Intelligence Advisory Board at this meeting concurred in:

a. The proposed intelligence organization within the United States Atomic Energy Commission, and

b. That the Director of that organization become a permanent member of the Intelligence Advisory Board.

4. It is therefore recommended that the enclosed reply to the Chairman of the United States Atomic Energy Commission be signed by the members of the National Intelligence Authority (Tab c).

5. Complete copies of this correspondence will be furnished for your files.

(signed)
R. M. HILLENKOTTER
Rear Admiral, USN
Director of Central Intelligence

Enclosures: Tabs a & b

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UNITED STATES
ATOMIC ENERGY COMMISSION
Washington 25, D. C.

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(251)

July 7, 1947

MEMORANDUM FOR: The National Intelligence Authority.

SUBJECT: Atomic Energy Intelligence.

1. The Atomic Energy Commission has been studying the intelligence situation in the field of atomic energy with a view to ascertaining the best procedure whereby the Commission can best procure and evaluate intelligence needed for its operational functions and also make the most effective contribution to the efforts of the Central Intelligence Group and other intelligence agencies to provide the nation with the best possible intelligence information in the field of atomic energy.

2. To this end, the Commission requested Rear Admiral Sidney W. Souers, USNR, (Inactive), former Director of the Central Intelligence Group, to prepare a report on the subject, a copy of which is attached hereto. As will be noted, Admiral Souers recommended that the Commission establish an intelligence organization within the Commission under a Director of Intelligence who would function largely as do the heads of intelligence of the State, War, and Navy Departments. In this recommendation, the Commission concurs.

3. In addition to his responsibilities as the intelligence officer of the Commission, it is hoped that an intimate relationship between the Director of Intelligence of the Atomic Energy Commission and the Director of the Central Intelligence Group will be established in order to obtain maximum results. To formalize this relationship, it is suggested that the Director of Intelligence of the Atomic Energy Commission become a permanent member of the Intelligence Advisory Board. Through such membership the intelligence organization of the Atomic Energy Commission would be available for scientific and technical evaluation and guidance in the field of atomic energy. Reciprocally, the Director of Intelligence of the Atomic Energy Commission would look to the Central Intelligence Group for the national policy intelligence

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SUBJECT: Atomic Energy Intelligence.

INT 812/5

needed by the Commission, and such other intelligence services required by the Atomic Energy Commission, and which the Central Intelligence Group can best perform.

4. The Atomic Energy Commission would appreciate the early comments of the National Intelligence Authority on the overall intelligence organization within the Commission contemplated in the attached report, as well as the vital suggestion that the Director of Intelligence of the Atomic Energy Commission become a permanent member of the Intelligence Advisory Board.

(signed)

David E. Lillenthal,
Chairman.

Encl.:

Cy. #5 of 91 (12 pages)
report, 7/1/47 (335)

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-2-

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112

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(335) INT 812/6

ATOMIC ENERGY INTELLIGENCE

Report by Sidney H. Reicher

July 1, 1947

THE PROBLEM

1. To determine the intelligence requirements of the Atomic Energy Commission and the type of organization appropriate to that end.

FACTS BEARING ON THE PROBLEM

2. Organization and Responsibilities of the National Intelligence Authority.

Circulated separately are papers regarding the organization and responsibilities of the National Intelligence Authority and its implementing agency, the Central Intelligence Group.

3. Operational Intelligence Responsibilities of the Atomic Energy Commission.

The Atomic Energy Commission is in a unique position in that it is perhaps the only permanent agency of the Government which has operational intelligence responsibilities comparable to those of the State, War, or Navy Departments. It is difficult at times to distinguish operational intelligence from actual operations and it is found that the Commission, without recognizing it as such,

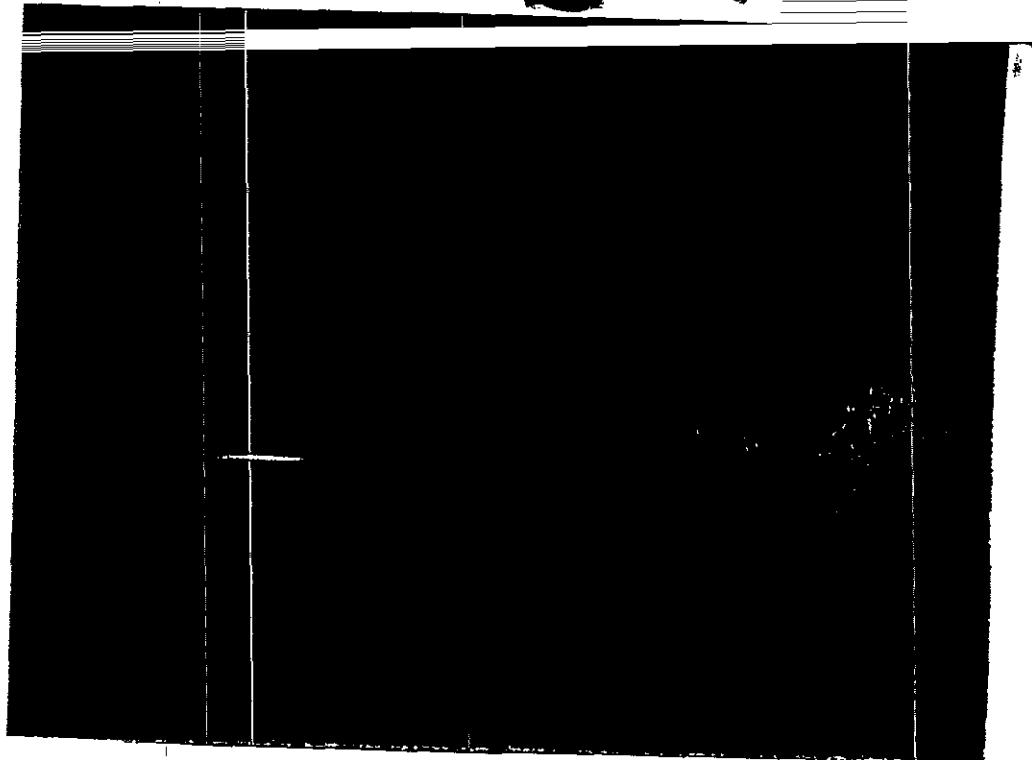
Among the intelligence activities or responsibilities of the Commission are:

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INST 812/7



b. Export Control of Equipment.

The Commission has responsibility for authorizing the use of certain critical items of equipment used in the production of fissionable material. Obviously one of the most important aspects of the licensing of equipment is export control. A decision as to the advisability of licensing the export of critical items may only be determined in the light of the contribution such equipment can make to the atomic energy programs of other countries. This requires an evaluation of the progress other countries have made



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INT 812/8

in the field of atomic energy. It also requires an estimate as to whether or not such items of equipment can be procured from other industrially advanced nations, such as the U. K., Sweden, or Switzerland. It may require, also, on-the-spot investigations to determine whether or not the equipment in question is actually used for the purpose for which it was procured. These functions are strictly those of operational intelligence. They are such that they can be most effectively discharged by an intelligence organization within the Commission.

c. Export Control of "Source" Materials.

The Commission has pending numerous applications for the export of uranium and thorium for industrial and medical uses abroad, none of which reportedly relate to atomic energy activities in foreign countries. To insure, however, that the export of such material is not, in fact, diverted to foreign atomic energy activities, it will be necessary for the Commission to have available information as to the consignees, the use to which the material will be put, and the possibilities of diversion. For such information the Commission cannot rely only on information which may be submitted by a licensee. It is necessary not only to determine the actual requirements of the geographical region to which material is being dispatched, but also to investigate, when appropriate, consignees and to determine the actual use to which the exported material is being put and to endeavor to discover secondary diversions.

-3-

UNCLASSIFIED

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INT 812/9

The problem arises, in particular, in relation to the export of thorium compounds, principally used heretofore in the manufacture of gas mantles. The world requirements for thorium compounds are large. Much of these requirements occur in places in the world where diversion could most readily occur. Again, this is a situation whereby the Commission must rely on its own organization to procure or to supervise the procurement of required intelligence and to evaluate the resulting intelligence.

4. Security of Information and Material.

The Commission is charged with the responsibility for controlling the dissemination of [REDACTED] in such a manner as to assure the common defense and security. Carrying out this responsibility the Commission has two primary objectives: (1) the use of [REDACTED] in order to advance rapidly our national program for atomic energy, and (2) [REDACTED]

Security depends not only upon physical measures which may surround the custody of vital information and material, but also upon the devices which other countries may use to secure them. An effective security program requires careful analysis of the tactics of other countries, their attempts in related fields, and the possibility of their success. Security also depends on an appraisal of (1) how widely known is the information

-4-

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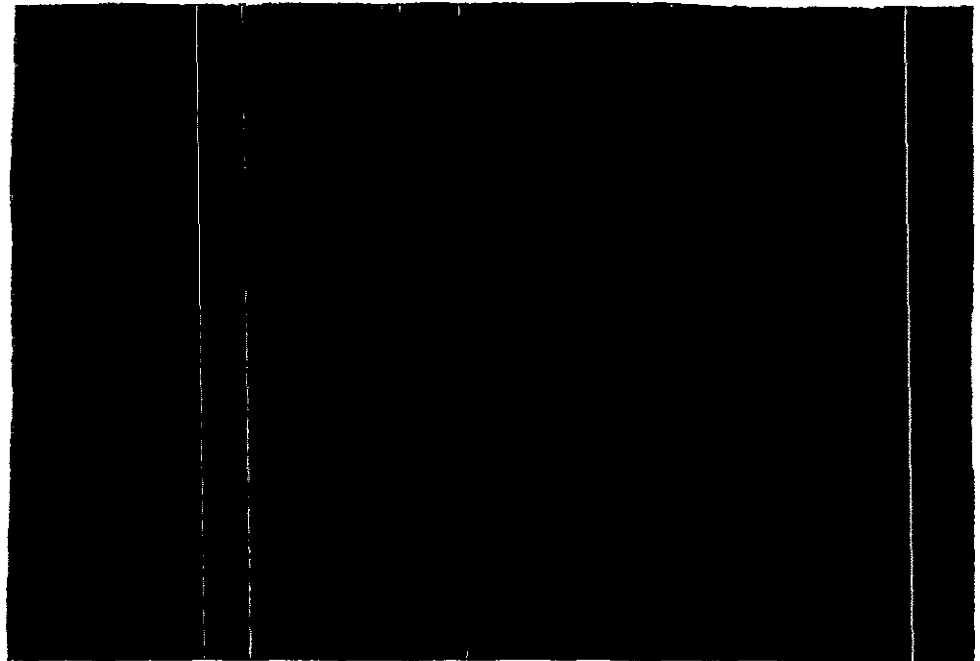
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INT 8/2/10

proposed to the Commission for declassification and (2) the effect of declassification on the atomic energy programs of other countries.

This security program is an integral part of the Commission's day-to-day operations. In order to carry out security operations, the Commission requires its own intelligence staff to supply it with the best intelligence obtainable to the United States.

DISCUSSION



[REDACTED] The several agencies concerned with this problem have demonstrated their willingness and desire to permit the full use of their facilities to the solution of the problem.

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The purpose of this paper is to endeavor to devise the most effective means whereby the intelligence functions of the United States related to atomic weapons can be discharged. It is appropriate, therefore, to next consider the position of the Commission and the other intelligence agencies in the field of atomic energy intelligence.

5. Role of the Atomic Energy Commission in the Field of Intelligence

The Commission has, as do indeed all intelligence agencies, several interests in the national intelligence picture. These interests are set forth below.

3. Operational Intelligence

With respect to its statutory responsibilities, the Commission must direct the procurement, either through its own facilities or those of existing intelligence agencies, of required intelligence and must evaluate the resulting intelligence to enable it to discharge these responsibilities. These operational intelligence activities are generally described in the "White Paper on the AEC's Intelligence Program" as being the sort of direct procurement from abroad, [REDACTED]

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INT 812/17

1- Strategic and National Policy Intelligence-

The Commission requires intelligence of an overall nature regarding the status and attitudes of foreign countries, in order that it may discharge its duties properly. Examples are:

- (1) Evidence of favoritism of national policies of foreign governments from cooperation with the United States to warmer relationships with the U.S.S.R.
- (2) Changes in U.S.S.R. attitudes toward countries such as France, Belgium, etc.

This information can best be supplied by the Central Intelligence Group, in collaboration with the Commission where appropriate.

2- Scientific and Technical Evaluation and Guidance-

The Central Intelligence Group is in a position to supply confidential estimates of the political and economic factors in the field of atomic energy intelligence. It cannot, however, effectively provide the scientific and technical evaluation needed to complete the picture. The best reservoir of personnel trained to evaluate scientific and technical developments in atomic energy is within the Commission itself. The basic need is for a system

-4-

UNCLASSIFIED

1123

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INT 812/

whereby intelligence from abroad can be channeled to the proper personnel within the Commission with experience to evaluate its meaning. For example, if today an apparently authoritative program of atomic energy development in a foreign country could be obtained covertly, the efficacy of that program could best be evaluated by the technical and scientific personnel of the Atomic Energy Commission. It is also important to note that such information might be of vital interest to the Commission in resolving technical problems confronting it which had already been solved in a foreign country.

In the scientific and technical field, the Commission must organize itself in such a way that it can assist the Central Intelligence Group in the selection of critical intelligence targets, including the selection of items for observation of peculiar significance as indicative of progress in other countries.

6. Relation of the Atomic Energy Commission to Intelligence Agencies other than the Central Intelligence Group.

There appears a disposition in some quarters to believe that the Commission's activities in the field of intelligence should be limited solely to contacts with the Central Intelligence Group. It should look primarily to the Central Intelligence Group for national policy intelligence, but direct contact must be maintained between the Atomic Energy Commission and other intelligence agencies in Washington for operational intelligence. The needs for operational intelligence of the Commission, the State Department, the War Department, and the Navy Department and, in the case of personalities and

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INT 812/14

organizations, the Federal Bureau of Investigation, make it imperative that there be a flow of intelligence information relating to atomic energy among such agencies.

Unless there is a direct interchange of intelligence information between the Commission and all the other intelligence agencies, the Commission will find that other agencies do not always recognize items of interest to the Commission or that transmission of intelligence items do not occur in a timely fashion. In recognition of this, there already exists a ready and rapid interchange of intelligence information between the Department of State and the Commission. It has been found desirable and necessary for reasons of highest national policy for reports of developments in certain foreign countries to reach the Commission without delay. The State Department or the Commission cannot afford to permit the Central Intelligence Group or any other intelligence agency to be the sole channel for the exchange of information needed for operations conducted by the State Department in collaboration with the Commission.

7. Permanent Membership on the Intelligence Advisory Board.

It is vital that the Director of Intelligence of the Atomic Energy Commission become a permanent member of the Intelligence Advisory Board. Such membership is imperative in order to avoid dangerous and wasteful practices which would result from uncoordinated collection of

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INT 812/15

foreign information and intelligence by an agency additional to the present permanent membership of the Intelligence Advisory Board. There should be free and unrestricted flow of all information and intelligence between the permanent members of the Intelligence Advisory Board to meet the recognized need of each agency represented. It is understood that the Director of Intelligence of the Atomic Energy Commission in becoming a permanent member of the Intelligence Advisory Board should be subject to the provisions of the National Intelligence Authority.

3. Organization Appropriate to the Atomic Energy Intelligence Requirements of the United States.

a. Organization within the Atomic Energy Commission.

There is urgent need for the Commission to establish an intelligence organization not only to meet the needs of the Commission itself, but also to enable the Central Intelligence Group to render the greatest service to the nation. As indicated in the

-9-

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"Facts Bearing on the Problem", the intelligence interests of the Commission are important and varied. The Commission lacks, however, an organization to cope with its own operational intelligence responsibilities or to work with the Central Intelligence Group in the discharge of its intelligence mission. Until an organization suitable to intelligence needs is established within the Commission, both the Commission and the Central Intelligence Group will continue, and increasingly, to encounter difficulties. The primary requirement is for the establishment of an Office of Intelligence under a Director of Intelligence who will have cognizance of all the intelligence problems and activities of the Commission. The Director of Intelligence should be responsible to the General Manager directly and should be provided with an experienced and adequate staff. The functions of the Director of Intelligence should be:

- (1) To procure intelligence required by the Commission directly, through the Central Intelligence Group, or through other appropriate agencies. (The Federal Bureau of Investigation should be exclusively responsible for all investigations which are presently within the investigative jurisdiction of the F.B.I.)
- (2) To evaluate for the Commission pertinent intelligence necessary to the discharge of its functions.
- (3) To disseminate intelligence to the Commission, its Divisions, offices and field establishments on the basis of need, and to prevent unnecessary dissemination.

-10-

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112

UNCLASSIFIED

UNCLASSIFIED

INT 812/1

- (4) To represent the Commission in all intelligence matters relating to other agencies of the Government, including: (a) scientific and technical evaluation of intelligence reports from abroad, and (b) scientific and technical assistance in selection of intelligence targets or critical items of observation by other intelligence agencies.

It will be recognized that, in the discharge of the foregoing functions, the Director of Intelligence must utilize the existing operational personnel to the fullest extent to perform such tasks. For example, his responsibility will be to assure that timely evaluation is made by qualified employees of the Commission, rather than to make such evaluations with his own personnel.

The Director of Intelligence should also be responsible for assuring, in each major establishment of the Commission:

- (1) That prompt and proper distribution is made of intelligence reports.
- (2) That timely and thorough evaluation of intelligence received is made and appropriately disseminated.
- (3) That the intelligence requirements of the principal installations are forwarded to Washington for action, and
- (4) That other intelligence functions are discharged.

-11-

UNCLASSIFIED

1122

UNCLASSIFIED

INT 812/1

b. Relations with the Central Intelligence Group.

The relation between the Atomic Energy Commission and the Central Intelligence Group can, if it follows the pattern of the other Departments of the Government with important intelligence functions, be a very simple one. The Central Intelligence Group is interested primarily in providing the maximum service to the United States governmental agencies requiring intelligence. To do this, it must utilize the scientific and technical evaluation and guidance facilities of the Commission with respect to questions involving atomic energy. No intelligence organization, including the Central Intelligence Group or the intelligence unit of the Atomic Energy Commission, can employ on an exclusive basis the scientific and technical personnel needed to evaluate reports from abroad on atomic energy developments or to provide guidance in the selection of intelligence targets.

The primary desire of the Central Intelligence Group is to have the operational personnel of the Commission, at Oak Ridge, Hanford, Los Alamos and New York, as well as Washington, D. C., participate in the evaluation and guidance process needed in the field of atomic energy. The Central Intelligence Group cannot permeate the organization of the Commission to accomplish such a process effectively. It must be done for the Central Intelligence Group by the Commission through its own intelligence organization.

-12-

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